

Watervliet City / Township Cemetery

11-7529

Financial Statements

March 31, 2004 and 2003

RENDEL ELIE

— & —

ASSOCIATES PLC

CERTIFIED PUBLIC ACCOUNTANTS

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Watervliet City/Township Cemetery	County Berrien
Audit Date 3/31/04	Opinion Date 10/8/04	Date Accountant Report Submitted to State: 10/21/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Rendel Elie & Associates PLC, CPA's			
Street Address 1010 Main Street	City St. Joseph	State MI	ZIP 49085
Accountant Signature <i>Rendel Elie, CPA</i>		Date 10/21/04	

Watervliet City / Township Cemetery
March 31, 2004 and 2003

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RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

Board of Trustees
Watervliet City / Township Cemetery
Watervliet, Michigan

We have audited the accompanying general purpose financial statements of the Watervliet City / Township Cemetery of Watervliet, Michigan, as of and for the years ended March 31, 2004 and 2003, as listed in the table of contents. These general purpose financial statements are the responsibility of the management of the Watervliet City / Township Cemetery. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet City / Township Cemetery of Watervliet, Michigan, as of March 31, 2004 and 2003, and for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

October 8, 2004

1010 Main Street
St. Joseph, MI 49085
(269) 983-1069

Watervliet City / Township Cemetery
Statement of Net Assets
March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$ 22,360	\$ 18,637
Investment in CD	28,666	28,476
Burial fees receivable	<u>1,200</u>	<u>-</u>
 Total assets	 <u>\$ 52,226</u>	 <u>\$ 47,113</u>
 Liabilities and Fund Balance		
Accounts payable	\$ 57	\$ 56
Fund balance, unreserved	<u>52,169</u>	<u>47,057</u>
 Total net assets	 <u>\$ 52,226</u>	 <u>\$ 47,113</u>

Watervliet City / Township Cemetery
Combined Statement of Revenues, Expenditures And Changes in Fund Balance
Years ended March 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenues and Support:		
Contributions from local units:		
Township of Watervliet	\$ 5,000	\$ 5,000
City of Watervliet	10,000	-
Lot sales	1,400	-
Burial fees	1,200	900
Interest income	339	812
Total Revenues and Support	<u>17,939</u>	<u>6,712</u>
Expenditures:		
Maintenance	10,500	11,475
Professional fees	1,302	1,222
Utilities	692	754
Secretary / treasurer fee	200	200
Insurance	100	100
Supplies	-	270
Postage and box rent	32	27
Bank service fee	1	-
Total Expenditures	<u>12,827</u>	<u>14,048</u>
Excess of revenues (expenditures)	5,112	(7,336)
Fund Balance, beginning of year	<u>47,057</u>	<u>54,393</u>
Fund Balance, end of year	<u><u>\$ 52,169</u></u>	<u><u>\$ 47,057</u></u>

Watervliet City / Township Cemetery
Combined Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
Year ended March 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Over (Under)
Revenues and Support:			
Contributions from local units:			
Township of Watervliet	\$ 5,000	\$ 5,000	\$ -
City of Watervliet	10,000	10,000	-
Lot sales	1,400	1,400	-
Burial fees	1,200	1,200	-
Interest income	339	339	-
Total Revenues and Support	<u>17,939</u>	<u>17,939</u>	<u>-</u>
Expenditures:			
Maintenance	10,500	10,500	-
Professional fees	1,302	1,302	-
Utilities	692	692	-
Secretary/treasurer fee	200	200	-
Insurance	100	100	-
Postage and box rent	32	32	-
Bank service fee	1	1	-
Total Expenditures	<u>12,827</u>	<u>12,827</u>	<u>-</u>
Excess of revenues (expenditures)	5,112	5,112	-
Fund Balance, beginning of year	<u>47,057</u>	<u>47,057</u>	<u>-</u>
Fund Balance, end of year	<u><u>\$ 52,169</u></u>	<u><u>\$ 52,169</u></u>	<u><u>\$ -</u></u>

**Watervliet City / Township Cemetery
Statement of Cash Flows
Years ended March 31, 2004 and 2003**

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities		
Revenue and support in excess of expenditures	\$ 5,112	\$ (7,336)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Increase) decrease in accounts receivable	(1,200)	5,000
Increase (decrease) in accounts payable	<u>1</u>	<u>(117)</u>
Total adjustments	<u>(1,199)</u>	<u>4,883</u>
Net cash provided (used) by operating activities	3,913	(2,453)
Cash flow from investing activities:		
Purchases of long-term investments	<u>(190)</u>	<u>(586)</u>
Net decrease in cash	3,723	(3,039)
Cash and equivalents, beginning of year	<u>18,637</u>	<u>21,676</u>
Cash and equivalents, end of year	<u><u>\$ 22,360</u></u>	<u><u>\$ 18,637</u></u>

Watervliet City / Township Cemetery
Notes to Financial Statements
March 31, 2004 and 2003

Summary of Significant Accounting Policies

Basis of Presentation – Fund Accounting

The accounts of the Cemetery are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund balance, revenues and expenditures as appropriate. The following fund type is used by the Cemetery:

GOVERNMENTAL FUND TYPE:

General Fund – The General Fund is the general operating fund of the Cemetery and accounts for all revenues and expenditures. Revenues are derived primarily from contributions from supporting local units.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is followed by the governmental fund type. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, are recorded when the related fund liability is incurred, if measurable.

Scope of the Reporting Entity

The City of Watervliet and the Township of Watervliet entered into a joint venture to form the Watervliet City / Township Cemetery. The purpose of the Cemetery is to maintain and sell the lots of the City / Township Cemetery.

The Cemetery operates under a Board of Trustees form of government and consists of six appointed members. The City and Township each appoint three members.

Watervliet City / Township Cemetery
Notes to Financial Statements
March 31, 2004 and 2003

Summary of Significant Accounting Policies (continued)

The financial statements for the Watervliet Cemetery, as listed in the table of contents, constitute a financial report of a joint venture as defined in GASB Statement 14.

Financial statements for the City of Watervliet and Township of Watervliet are available at their respective offices.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Cemetery considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Data

Budget amounts shown in the financial statements are the amounts that are approved by the Board of Trustees. Budgets are adopted in summary form and control is exercised at the line item level.

Deposits and Investments

State statutes authorize the Cemetery to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by units of government in Michigan. The Cemetery is in accordance with statutory authority.

Watervliet City / Township Cemetery
Notes to Financial Statements
March 31, 2004 and 2003

Deposits and Investments (continued)

The Cemetery has designated a local bank as its depository. Its cash and cash equivalents consist of a checking account, savings account, and certificates of deposit. Deposits at the depository do not exceed the Federal Depository Insurance of \$100,000 at the depository.

Future changes to Financial Reporting Requirement - GASB 34

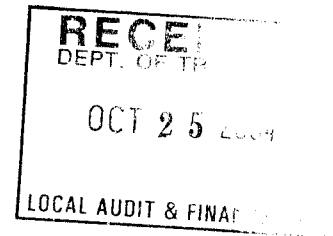
New accounting standards apply to the Cemetery effective for the year beginning April 1, 2004. This will dramatically revise the information being reported in these financial statements. The governmental activities will be reported by individually significant fund, as well as in total on the full accrual basis of accounting. Information is not available to present the pro-forma effect of this change.

RENDEL ELIE
— & —
ASSOCIATES PLC
CERTIFIED PUBLIC ACCOUNTANTS

Report of Comments and Recommendations

October 8, 2004

Board of Trustees
Watervliet City / Township Cemetery
Watervliet, Michigan



In planning and performing our audit of the financial statements of the Watervliet City / Township Cemetery for the year ended March 31, 2004, we considered its internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Watervliet City / Township Cemetery's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control structure was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in any control structure, errors or irregularities may occur and not be detected by such control structure.

A fundamental concept of internal control is that no one person should handle all aspects of a financial transaction from beginning to end. It is not feasible to separate all the aspects of cash collection, custody, and disbursements in an organization the size of the Cemetery. Existing procedures and controls are adequate and result in reasonably accurate accounting records, however, the Board should be constantly aware that compensating controls must be continually exercised in order to ensure an adequate internal control structure.

These conditions were considered in determining the nature, timing, and extent of the audit test applied in the audit of the March 31, 2004 financial statements.

Report of Comments and Recommendations, (Continued)

Continuing Recommendations:

Long-Term Planning - We suggest that the trustees continue to develop the long-term plans for the Cemetery, which should include a plan for maintenance, and perpetual care for the Cemetery when the lots are all sold.

Disbursements - Documentation (supporting invoices) should be retained for all disbursements, as a requirement of the Michigan Uniform Accounting Procedures Manual for governmental units. Invoices for maintenance should be presented for payment.

Tax Reporting - Form 1099's should be prepared for independent contractors who are paid over \$600 in a calendar year.

GASB 34 - For a "clean" audit opinion, the board will be required to implement the new accounting model in the current fiscal year. We will work with you to assist you with this process.

This report is submitted for the purpose of improving the overall financial control of the Organization and is not intended to reflect upon the performance of any official.

We are ready to be of assistance with your accounting questions during the year. We wish to express our appreciation for the friendliness and cooperation extended to us during this audit.

Sincerely,

Rendel Elie & Associates
RENDEL ELIE & ASSOCIATES, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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